IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

[filed Jan. 4, 2008]

No. 07-50067

VIRGIN RECORDS AMERICA INC, a California Corporation; SONY BMG MUSIC ENTERTAINMENT, a Delaware General Partnership; ARISTA RECORDS LLC, a Delaware Limited Liability Company; UMG RECORDINGS INC, a Delaware Corporation

Plaintiffs – Appellees

v.

CLIFF THOMPSON

Defendant – Appellant

Appeal from the United States District Court
for the Western District of Texas
USDC No. 5:06-CV-592

Before JONES, Chief Judge, and WIENER and CLEMENT, Circuit Judges.

PER CURIAM:

Cliff Thompson ("Thompson") appeals the district court's denial of his motion for attorney's fees under the Copyright Act, 17 U.S.C. § 505. Thompson argues that the court misapplied the standard governing the award of attorney's fees in copyright actions. We affirm the district court's decision.

I. BACKGROUND

In July 2006, Virgin Records and other recording companies (collectively "Plaintiffs") filed a copyright infringement action against Thompson, contending that he used a file-sharing program to illegally distribute digital audio files on which Plaintiffs held copyrights. Before filing this action, Plaintiffs learned that an Internet user named "gigette@KaZaA" was openly distributing hundreds of digital audio files using a file-sharing program. Plaintiffs traced the infringer to an Internet Protocol ("IP") address and eventually to an Internet account registered to Thompson.

Once Thompson was identified, Plaintiffs attempted to contact him to resolve the matter for six months before finally filing suit. In January 2006, Plaintiffs sent Thompson a letter informing him that they intended to file a lawsuit against him "shortly" for copyright infringement. The letter stated that Plaintiffs had gathered evidence that Thompson had infringed their copyrights and asked him to contact them if he had "an interest in discussing this matter, including settlement." Thompson did not respond to the letter. In succeeding months, Plaintiffs attempted to contact Thompson by phone and email. Although Thompson denies receiving these voice

messages or emails, it is undisputed that he received Plaintiffs' initial letter.

In August, Thompson filed an answer and a counterclaim requesting attorney's fees that accused Plaintiffs of engaging in "sue first, talk later" litigation. Plaintiffs moved to dismiss the counterclaim on September 5, 2006. Two days later, Thompson disclosed in his response to this motion that "if anyone downloaded the songs in question it probably would be [my] adult daughter." Thompson did not, however, tell Plaintiffs his daughter's name. Thompson's disclosure came more than eight months after Plaintiffs initially wrote to him.

Through their own efforts, Plaintiffs identified Thompson's adult daughter as Brigette Thompson. On October 6, Thompson's counsel confirmed that Ms. Thompson was the direct infringer who used Thompson's Internet account. When the Plaintiffs moved to dismiss their case, Thompson reiterated his demand for attorney's fees. The district court granted the former motion and denied the latter, and Thompson appealed.

II. STANDARD OF REVIEW

This court reviews a district court's refusal to award attorney's fees in a copyright infringement case for an abuse of discretion. *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 380 (5th Cir. 2004). "A trial court abuses its discretion in awarding or refusing to award attorney's fees when its ruling is based on an erroneous view of the law or a clearly erroneous assessment of the evidence." *Id.*

III. DISCUSSION

The Copyright Act authorizes a court to award reasonable attorney's fees to the prevailing party in a suit under the Act. *See* 17 U.S.C. § 505 ("In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs."). In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534–35 (1994), the Supreme Court held that attorney's fees should be awarded evenhandedly to both prevailing plaintiffs and defendants in copyright actions. As the district court recognized, an award of attorney's fees to the prevailing party in a copyright action is "the rule rather than the exception and should be awarded routinely." *Positive Black Talk,* 394 F.3d at 380 (quoting *McGaughey v. Twentieth Century Fox Film Corp.,* 2 F.3d 62, 65 (5th Cir.1994)).

Nevertheless, recovery of attorney's fees is not automatic. *See Fogerty,* 510 U.S. at 534; *Creations Unlimited, Inc. v. McCain,* 112 F.3d 814, 817 (5th Cir. 1997) (noting that the Supreme Court "repudiated the 'British Rule' for automatic recovery of attorney's fees by the prevailing party" and holding that the district court did not abuse its discretion in denying fees). "[A]ttorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion." *Fogerty,* 510 U.S. at 534. The Supreme Court listed several non-exclusive factors that a court may consider in exercising its discretion: "frivolousness, motivation, objective unreasonableness (both in the factual and in the

legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.,* 788 F.2d 151, 156 (3d Cir. 1986)).

In this case, the district court "set forth the standard described above, noting the text of [17 U.S.C. § 505], the principle that fee awards—although discretionary—are the rule rather than the exception and should be awarded routinely, and that under *Fogerty* the court's discretion is guided by" a non-exclusive list of factors. *Positive Black Talk,* 394 F.3d at 381–82 (holding that the district court did not abuse its discretion in denying attorney's fees to prevailing defendants). The court then applied those factors to the facts of this case and determined that they weighed against awarding attorney's fees.

First, the court determined that Plaintiffs' lawsuit was not frivolous or objectively unreasonable, citing several reasons for this conclusion. The court found that "Plaintiffs discovered substantial copyright infringement of their songs by a file-sharing program attached to an internet [sic] account registered to Thompson." The court also found that the Plaintiffs attempted to contact Thompson to resolve this matter for six months prior to filing this lawsuit.

Second, the court concluded that Plaintiffs' "motivation in bringing the suit was proper." The court found no indication that Plaintiffs "prosecuted this suit with malevolent intent." Instead, the court determined that Plaintiffs acted properly to protect their copyrights after they discovered copyright

infringement of their songs. The court also found that Plaintiffs "immediately moved to dismiss" their suit against Thompson after they identified the adult daughter that Thompson acknowledged might be responsible for the copyright infringement.

Third, the court concluded that awarding Thompson attorney's fees would not advance considerations of compensation and deterrence. These Plaintiffs should not be deterred from bringing future suits to protect their copyrights because they brought an objectively reasonable suit. Thompson, however, "delayed the prompt resolution" of this litigation by failing to respond to Plaintiffs' pre-suit communications and to disclose the identity of the true copyright infringer.

This court sees no abuse of discretion in the district court's denial of Thompson's motion for attorney's fees. In response to the court's careful articulation and application of the governing standard, Thompson has "offered nothing on appeal to compel a conclusion that the district court abused its discretion." *Creations Unlimited,* 112 F.3d at 817.

AFFIRMED.

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICTOF TEXAS,
SAN ANTONIO DIVISION

[filed Nov. 29, 2006]

VIRGIN RECORDS AMERICA, et al., Plaintiffs,	§	
v.	§	CAUSE NO. SA-06-CA-592-OG
CLIFF THOMPSON, Defendant.	§	

ORDER DISMISSING CASE AND DENYING DEFENDANT'S REQUEST FOR ATTORNEY'S FEES

Before the Court are plaintiffs' motion to dismiss this case and defendant's request for attorney's fees.

Plaintiffs move to dismiss this copyright infringement suit against Cliff Thompson on the ground that they have learned that Thompson's daughter Brigette is the person responsible for the copyright violations that occurred in Thompson's home and on his computer using his Internet account. The motion will be granted.

Thompson has filed a request for attorney's fees. Under the Copyright Act, a court has discretion to allow the recovery of costs, including "a reasonable attorney's fee," to "the prevailing party." 17 U.S.C. § 505. Attorney's fees "are the rule rather than the

exception and should be awarded routinely." Positively Black Talk, Inc. v. Cash Money Records, 394 F.3d 357, 380 (5th Cir. 2004) (quoting McGaughey v. Twentieth Century Fox Film Corp., 12 F.3d 62, 65 (5th Cir. 1994)). "Routinely," however, does not mean "automatically," and attorney's fees are awarded to prevailing parties in copyright cases as a matter of the court's discretion. Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 (1994). The court may consider the following nonexclusive factors in determining whether to award prevailing party attorney fees: frivolousness, motivation, objection unreasonableness (both in factual and in legal components of the case), and the need in particular circumstances to advance the Copyright Act's considerations of compensation and deterrence. Id. at 534 n.19.

There is no indication in the record that plaintiffs filed this suit frivolously or prosecuted this suit with malevolent intent. Plaintiffs discovered substantial copyright infringement of their songs by a file-sharing program attached to an internet account registered to Thompson. Plaintiffs acted properly to protect their copyrights. In addition, the record indicates that plaintiffs attempted to contact Thompson to resolve the matter for some six months prior to filing suit. Thompson never informed plaintiffs that he was not responsible for the infringement until after he filed a counterclaim demanding his attorney's fees and costs.[1] When

[1] Plaintiffs began contacting Thompson in January, 2006. Thompson filed his counterclaim for attorney's fees on August 14, 2006. He did not identify his adult daughter until September 7, 2006. (Docket no. 22 at 3.) While Thompson denies receiving all of plaintiffs' communications, he

plaintiffs finally learned from Thompson that his "adult daughter" was responsible for the infringement, and, through their own efforts, identified Brigette Thompson as the adult daughter, they immediately moved to dismiss this suit. The Court finds that this suit was not frivolous or objectively unreasonable and that plaintiffs' motivation in bringing the suit was proper.

The purpose of copyright law is to promote and protect creativity. Alcatel USA. Inc. v. DGI Techs. Inc., 166 F.3d 772, 788 (5th Cir. 1999). See also Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (basic purpose of Copyright Act is "to stimulate artistic creativity for the general public good"); Diamond v. Am-Law Pub. Corp., 745 F.2d 142, 147 (2d Cir. 1984) ("The principal purpose of the legislation is to encourage the origination of creative works by attaching enforceable property rights to them."). Plaintiffs brought an objectively reasonable suit to protect their copyrights. The Court is not persuaded that plaintiffs have acted in bad faith or maliciously so that they should be deterred from the same conduct in the future. On the contrary, it appears that Thompson's conduct in failing to respond to plaintiffs' pre-suit communications and to disclose the identity of the true infringer served to delay the prompt resolution of this litigation.[2] The

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does admit to receiving the January demand letter and a pre-demand letter voice message, which he returned.

[2] According to Thompson's characterization of plaintiffs' communications, plaintiffs were not seeking information and were only interested in discussing money. Offers to settle typically include a demand for money. This fact does not excuse Thompson's failure to respond to the communications or to inform the record companies that he was not the infringer.

Court finds that an award of attorney's fees to Thompson would not advance considerations of compensation and deterrence.

Plaintiffs' motion to dismiss this case (docket no. 12) is GRANTED, and this case is DISMISSED with prejudice. Defendant's request for attorney's fees (docket no. 16) is DENIED. Each party will bear their own costs.

SIGNED this 29 day of November, 2006.

/s/ Orlando Garcia
ORLANDO L. GARCIA
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICTOF TEXAS,
SAN ANTONIO DIVISION

[filed Sept. 21, 2006]

VIRGIN RECORDS AMERICA, et al., Plaintiffs,	§	
v.	§	CAUSE NO. SA-06-CA-592-OG
CLIFF THOMPSON, Defendant.	§	

ORDER

Defendant in this copyright infringement suit has filed a counterclaim seeking a declaratory judgment that he did not infringe plaintiffs' copyrights. The issue of copyright infringement will be decided by this Court on plaintiffs' complaint and defendant's answer regardless of the declaratory judgment claim unless the parties settle the case or the plaintiffs move for dismissal under FED. R. CIV. P. 41(a)(2). Therefore, defendant's counterclaim for a declaratory judgment is redundant and unnecessary.

Defendant asserts that he filed the counterclaim so that he could seek attorney's fees if he is the prevailing party in this suit. 17 U.S.C. § 505. No distinction is made in the Copyright Act between prevailing plaintiffs and prevailing defendants. Fogerty v. Fantasy, Inc., 510 U.S. 517, 521 (1994). The Court is unaware of any rule whereby a prevailing defendant must have an

outstanding claim for declaratory relief to be eligible for attorney's fees.

Plaintiff's motion to dismiss defendant's declaratory judgment counterclaim (docket no. 7) is GRANTED.

SIGNED this 20 day of September, 2006.

/s/ Orlando Garcia
ORLANDO L. GARCIA
UNITED STATES DISTRICT JUDGE

Record Companies Win Music Sharing Trial, Pittsburgh Tribune Review, Oct. 5, 2007, available at 2007 WLNR 19553378.

DULUTH, Minn. (AP) — The recording industry hopes $222,000 will be enough to dissuade music lovers from downloading songs from the Internet without paying for them. That's the amount a federal jury ordered a Minnesota woman to pay for sharing copyrighted music online.

"This does send a message, I hope, that downloading and distributing our recordings is not OK," Richard Gabriel, the lead attorney for the music companies that sued the woman, said Thursday after the three-day civil trial in this city on the shore of Lake Superior.

In closing arguments he had told the jury, "I only ask that you consider that the need for deterrence here is great."

Jammie Thomas, 30, a single mother from Brainerd, was ordered to pay the six record companies that sued her $9,250 for each of 24 songs they focused on in the case. They had alleged she shared 1,702 songs in all.

It was the first time one of the industry's lawsuits against individual downloaders had gone to trial. Many other defendants have settled by paying the companies a few thousand dollars, but Thomas decided she would take them on and maintained she had done nothing wrong.

"She was in tears. She's devastated," Thomas' attorney, Brian Toder, told The Associated Press. "This is a girl that lives from paycheck to paycheck, and now all of a sudden she could get a quarter of her paycheck garnished for the rest of her life."

Toder said the plaintiff's attorney fees are automatically awarded in such judgments under copyright law, meaning Thomas could actually owe as much as a half-million dollars. However, he said he suspects the record companies "will probably be people we can deal with."

Gabriel said no decision had yet been made about what the record companies would do, if anything, to pursue collecting the money from Thomas.

The record companies accused Thomas of downloading the songs without permission and offering them online through a Kazaa file-sharing account. Thomas denied wrongdoing and testified that she didn't have a Kazaa account.

Since 2003, record companies have filed some 26,000 lawsuits over file-sharing, which has hurt sales because it allows people to get music for free instead of paying for recordings in stores.

During the trial, the record companies presented evidence they said showed the copyrighted songs were offered by a Kazaa user under the name "tereastarr." Their witnesses, including officials from an Internet provider and a security firm, testified that the Internet address used by "tereastarr" belonged to Thomas.

Toder said in his closing argument that the companies never proved "Jammie Thomas, a human being, got on her keyboard and sent out these things."

"We don't know what happened," Toder told jurors. "All we know is that Jammie Thomas didn't do this."

Copyright law sets a damage range of $750 to $30,000 per infringement, or up to $150,000 if the violation was "willful." Jurors ruled that Thomas' infringement was willful but awarded damages in a middle range; Gabriel said they did not explain the amount to attorneys afterward. Jurors left the courthouse without commenting.

Before the verdict, an official with an industry trade group said he was surprised it had taken so long for one of the industry's lawsuits against individual downloaders to come to trial.

Illegal downloads have "become business as usual. Nobody really thinks about it," said Cary Sherman, president of the Recording Industry Association of America, which coordinates the lawsuits. "This case has put it back in the news. Win or lose, people will understand that we are out there trying to protect our rights."

Thomas' testimony was complicated by the fact that she had replaced her computer's hard drive after the sharing was alleged to have taken place--and later than she said in a deposition before trial.

The hard drive in question was not presented at trial by either party.

The record companies said Thomas was sent an instant message in February 2005 warning her that she was violating copyright law. Her hard drive was replaced the following month, not in 2004 as she said in the deposition.

"I don't think the jury believed my client regarding the events concerning the replacement of the hard drive," Toder said.

The record companies involved in the lawsuit are Sony BMG, Arista Records LLC, Interscope Records, UMG Recordings Inc., Capitol Records Inc. and Warner Bros. Records Inc.

Jefferson Graham, *RIAA Suits Put Parents on Hook for Kids' Swapping*, USA TODAY, Sept. 15, 2003, *available at* http://www.usatoday.com/tech/news/techpolicy/2003-09-15-riaa-parents_x.htm?loc=interstitialskip.

Some 261 copyright infringement suits were filed by the recording industry last week, mostly against parents of kids who swap songs on the Internet.

Are Mom and Dad really liable for Junior's actions?

A prominent law professor thinks not. Ohio State's Peter Swire, a former Clinton administration official, says parents are not responsible for their kids' online actions unless they willfully sat down with them and worked the mouse together to access the songs.

"This is going to be an uphill climb for the recording industry," he says. "They have to show that the parent contributed to the infringement or directly benefited. If the kid is upstairs on the computer and the parents didn't know what he or she was doing, that is going to be very hard to prove."

The suits are part of the Recording Industry Association of America's stepped-up campaign against downloading. CD sales continue to fall while free song-swap services like Kazaa and Grokster remain popular. The RIAA sued four college students in April—settling for $12,000 to $17,500—then moved against individual song swappers.

Most of the RIAA targets have more than 1,000 songs on their hard drives (about 100 CDs), and they

run the gamut from a 12-year-old New York girl who lives in a housing project to a 71-year-old grandfather in Texas.

RIAA president Cary Sherman said last week that he expected to hear "it was the kids doing it" as a defense. But that isn't good enough, he said, adding, "We'd be more than happy to amend the complaint to the kid."

The RIAA's Matt Oppenheim says parents are responsible for their kids' actions, although liability laws differ from state to state. "A lot depends on whether they knew what was going on. We can prove with testimony and computer logs that they did."

For all the rhetoric, the RIAA's campaign is aimed at deterring users—and staying out of the courtroom. The RIAA is encouraging settlements. The mother of the New York grade-schooler agreed to pay the RIAA $2,000, which several anti-RIAA organizations have offered to reimburse.

"Parents are stuck between a rock and a hard place," says D.C. lawyer Megan Gray. She believes that when the RIAA threatens to go after their children, the attitude will be, "If I can get out of this quickly and easily, why not throw a few thousand dollars at them and have it go away."

Swire, who believes it's a case easily won, says he hopes some brave parent takes the heat. By going after the kid instead of the parent in court, "the RIAA risks seeming like even more of a heavy."

New York City college student Lorraine Sullivan, 28, says the RIAA was wrong to target her. She has called about settling and will accept the $3,500 offer. But she wishes she could afford to take them on.

"I'm terrified of bankruptcy," she writes on her suedbytheriaa.com Web site. "How could I, an already in debt college student, possibly go up against a multibillion-dollar international industry and survive?"

RIAA Leaning on Kids' Parents, WIRED, July 24, 2003, *available at* http://www.wired.com/entertainment/music/news/2003/07/59756

Parents, roommates—even grandparents—are being targeted in the music industry's new campaign to track computer users who share songs over the Internet, bringing the threat of expensive lawsuits to more than college kids.

"Within five minutes, if I can get hold of her, this will come to an end," said Gordon Pate of Dana Point, California, when told by The Associated Press that a federal subpoena had been issued over his daughter's music downloads. The subpoena required the family's Internet provider to hand over Pate's name and address to lawyers for the recording industry.

Pate, 67, confirmed that his 23-year-old daughter, Leah, had installed file-sharing software using an account cited on the subpoena. But he said his daughter would stop immediately and the family didn't know using such software could result in a stern warning, expensive lawsuit or even criminal prosecution.

"There's no way either us or our daughter would do anything we knew to be illegal," Pate said, promising to remove the software quickly. "I don't think anybody knew this was illegal; just a way to get some music."

The president of the Recording Industry Association of America, the trade group for the largest music labels, warned that lawyers will pursue downloaders regardless of personal circumstances because it would deter other Internet users.

"The idea really is not to be selective, to let people know that if they're offering a substantial number of files for others to copy, they are at risk," Cary Sherman said. "It doesn't matter who they are."

Over the coming months this may be the Internet's equivalent of shock and awe, the stunning discovery by music fans across America that copyright lawyers can pierce the presumed anonymity of file-sharing, even for computer users hiding behind clever nicknames such as "hottdude0587" or "bluemonkey13."

In Charleston, West Virginia, college student Amy Boggs said she quickly deleted more than 1,400 music files on her computer after the AP told her she was the target of another subpoena. Boggs said she sometimes downloaded dozens of songs on any given day, including ones by Fleetwood Mac, Blondie, Incubus and Busta Rhymes.

Since Boggs used her roommates' Internet account, the roommates' name and address was being turned over to music industry lawyers.

"This scares me so bad I never want to download anything again," said Boggs, who turned 22 on

Thursday. "I never thought this would happen. There are millions of people out there doing this."

In homes where parents or grandparents may not closely monitor the family's Internet use, news could be especially surprising. A defendant's liability can depend on their age and whether anyone else knew about the music downloads.

Bob Barnes, a 50-year-old grandfather in Fresno, California, and the target of another subpoena, acknowledged sharing "several hundred" music files. He said he used the Internet to download hard-to-find recordings of European artists because he was unsatisfied with modern American artists and grew tired of buying CDs without the chance to listen to them first.

"If you don't like it, you can't take it back," said Barnes, who runs a small video production company with his wife from their three-bedroom home. "You have all your little blonde, blue-eyed clones. There's no originality."

Citing on its subpoenas the numeric Internet addresses of music downloaders, the RIAA has said it can only track users by comparing those addresses against subscriber records held by Internet providers. But the AP used those addresses and other details culled from subpoenas and was able to identify and locate some Internet users who are among the music industry's earliest targets.

Pate was wavering whether to call the RIAA to negotiate a settlement. "Should I call a lawyer?" he wondered.

The RIAA's president wasn't sure what advice to offer because he never imagined downloaders could be identified by name until Internet providers turned over subscriber records.

"It's not a scenario we had truthfully envisaged," Sherman said. "If somebody wants to settle before a lawsuit is filed it would be fine to call us, but it's really not clear how we're going to perceive this."

The RIAA has issued at least 911 subpoenas so far, according to court records. Lawyers have said they expect to file at least several hundred lawsuits within eight weeks, and copyright laws allow for damages of $750 to $150,000 for each song.

The AP tracked targets of subpoenas to neighborhoods in Boston, Chicago, St. Louis, San Francisco, New York and Ann Arbor, Michigan.

Outside legal experts urged the music industry to carefully select targets for its earliest lawsuits. Several lawyers said they were doubtful the RIAA ultimately will choose to sue computer users like the Pate family.

"If they end up picking on individuals who are perceived to be grandmothers or junior high students who have only downloaded in isolated incidents, they run the risk of a backlash," said Christopher

Caldwell, a lawyer in Los Angeles who works with major studios and the Motion Picture Association of America.

The recording industry said Pate's daughter was offering songs by Billy Idol, Missy Elliot, Duran Duran, Def Leppard and other artists. Pate said that he never personally downloaded music and that he so zealously respects copyrights that he doesn't videotape movies off able television channels.

Barnes, who used the Napster service until the music industry shut it down, said he rarely uses file-sharing software these days unless his grandson visits. The RIAA found songs on his computer by Marvin Gaye, Savage Garden, Berlin, the Eagles, Dire Straits and others.

Barnes expressed some concern about a possible lawsuit but was confident that "more likely they will probably come out with a cease and desist order" to stop him sharing music files on the Internet.

"I think they're trying to scare people."